



**Ministry of Regional Development  
and Public Works of Bulgaria**

**Sustainable Housing Management**  
**The Perspective of Homeowners and Homeowners'**  
**Associations**

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**Final Communiqué**

## INTRODUCTION

Privately owned condominiums represent a large share of the total building stock in Bulgaria and in the other new member states of the European Union. During the Ministerial EU Conference on Housing, held in March 2005 in Prague, the Netherlands Minister of Housing, Ms. Dekker, called for information exchange and co-operation between countries to improve the daily and long-term management of this building stock.

The seminar ‘*Sustainable Housing Management; the Perspective of Homeowners and Homeowners’ Associations*’ answered to this call by facilitating the exchange of experience between Bulgarian policy makers, executives and professionals with their counterparts in the member states of the EU. The seminar was kindly supported by the Dutch Ministry of Foreign Affairs through the Matra programme and organised by the Bulgarian Housing Association and the Foundation Housing+ from the Netherlands.

HE Willem van EE, Ambassador of the Netherlands in Bulgaria, and Mr. Kalin Rogachev, Deputy Ministry of Regional Development and Public Works, opened the seminar. The seminar was attended by more than 120 participants, including representatives of national government, municipalities, NGOs, the private sector, and representatives of homeowners in Bulgaria. The delegation from the Netherlands included representatives of the Dutch Ministry of Housing, housing organisations, and NGOs. Finally, representatives of the new EU member states presented the experiences in their countries on housing management policies and regulations.

The seminar addressed the following three topics from a practical and operational perspective and with focus on the role of homeowners and homeowners’ associations:

1. Policy and legislation
2. Financing mechanisms and project development.
3. Reconstruction of housing estates and increasing property value

**On the basis of the presentations and discussions during the seminar, the participants have adopted the following communiqué:**

## CONSIDERING

- The housing sector in Central and Eastern European countries, including Bulgaria, is characterised by a large share of multi-family panel apartment blocks. This housing stock had already deteriorated before the transition, partly because of low quality construction and maintenance technology, and partly because of under-investment in the stock before the transition. In addition to the problem of deterioration, other elements played an important role, including the very low economic efficiency of the stock caused by inefficient land use in urban development, huge energy problems related to the low level of technology in construction; and low cost efficiency in organising housing related services (water, sewage, transportation etc.).
- The poor performance of housing management of multi-apartment buildings is related partly to the lack of incentives for homeowners, and partly to an inefficient use of housing value. The underdeveloped housing market along with a mistrust of institutions and the uncertain legal framework make it difficult to improve the social, economic and financial value of the housing sector.
- The privatisation of the public housing stock was often followed by the implementation of a regulatory framework which laid down the obligations of owners with regard to the commonly owned property. However, in many countries, including Bulgaria, the current legal arrangements for ownership of common housing assets do not provide adequate incentives for households to invest in their property.
- In Bulgaria, where condominiums already existed before the transition, the problems are more complex than in other countries in the region. First, the municipal management companies historically had nothing to do with private apartments. As a result, no maintenance was provided for condominium buildings from the very beginning of their existence. Also, legislation regarding management of the condominium stock is still lacking, while the Law on Condominiums is currently being drafted.

## CONCLUDE AND RECOMMEND

### On policy and legislation

Homeowners and homeowners’ organisations (HOAs) of condominiums are **key stakeholders** in housing management, housing policy and urban planning.

National Government has a responsibility in creating the adequate **regulatory and institutional conditions** for the functioning of homeowners’ associations of condominiums.

**Local government** should play a key role in both supervising the functioning of homeowners’ associations as well as supporting them. One option is to dedicate staff in each municipality for these tasks, like in Romania.

**National federations or unions of homeowners’ associations** play a key role in supporting and representing homeowners’ associations, e.g. in Estonia and Romania. Such an organisation should also be established in Bulgaria. Initially, in the period of establishing homeowners’ associations in Bulgaria, government support for this organisation is required.

## **On the draft Bulgarian Law on Condominiums**

Legislation should address both **rights and obligations** of homeowners. The Condominium Law should adequately address the following issues:

- Definition of the common property as well as the rights of use of each owner. Unclear regulation in this field will cause many problems later.
- Procedures to select and contract the building manager.
- Governance, decision-making and communication within the associations.
- Enabling homeowners’ associations to act as a contracting body.

The draft Condominium Law states that a **100% consensus** should be reached in the association for decisions on refurbishment of the building. This requirement should be reconsidered because experience in other countries shows this requirement would seriously hamper refurbishment projects. Common practice in the EU is a qualified majority, for instance in the Netherlands 80%, and in Lithuania 50%+1.

In many EU countries, the mandatory establishment of a HOA and a provision for decision-making on the basis of a qualified majority does not violate the **constitutional rights** of individual homeowners in condominiums and is common practice.

Experience in other countries has shown that the mere adoption of condominium legislation is not enough to secure the organisation of homeowners.

- In addition to the legal requirements, the Condominium Law should also include activities **supporting homeowners** in establishing an association.

- **Incentives** should be created for the establishing of homeowners’ associations by strengthening their role in other legislation and in financing schemes.

Additional **consultations** of Bulgarian stakeholders, including homeowners, will further support the drafting of the Condominium Law. This should be done in the form of round tables. Also, the experiences with the implementation of condominium regulation in other countries, particularly in Central and Eastern Europe are very valuable. The seminar participants propose that an international review of the draft Condominium Law should be carried out in the form of round table co-organized with Bulgarian Ministry of Regional development and Public Works, NGO’s and foreign experts.

## **On financing and project development**

Financing depends on the quality of organisation and of the business plans. In Bulgaria, one of the priorities is **improving the organisation for refurbishment projects**. New and updated legislation on housing, including regulation of condominium management, is needed to support the organisation.

Homeowners’ associations should be able to fully function as **contracting party** (to building managers, construction companies etc). This requires adequate regulation, training and awareness raising.

In Romania, municipalities are obliged to provide **technical assistance** to homeowners’ associations in developing the refurbishment projects. This should also be considered in Bulgaria. It is necessary, however, to improve the **legislative framework and financial capacity** of local government, allowing them to engage in these activities. Also, state support is required in established the new structures for supporting homeowners’ associations at the municipal level.

Homeowners in Bulgaria are very reluctant of committing to mortgage based loans for fear of losing their property. **Non-mortgage based financing schemes**, backed by government or other guarantees, should be developed as an alternative.

In addition, **state support** for refurbishment and energy efficiency projects, including grants and subsidies, will remain important for the near future. In this respect, the position of low-income homeowners is a key concern. This should be addressed using the experience from other countries, particularly by providing specific state support for **low-income homeowners** in relation to refurbishment investment in addition to any state support provided for all homeowners.

In the future, financial schemes should work with **homeowners’ associations** instead of with individual homeowners.

Projects may not be bankable for commercial banks on a large scale in Bulgaria in the short term. But, even under the current conditions in Bulgaria, homeowners can still start the process and take initiatives (**pilot projects**). The government should facilitate the exchange of experiences of pilot projects.

The Bulgarian government should communicate to the EC the local requirements and needs for international financing schemes in housing. In addition, the Bulgarian government should promote the availability of the **trust funds** of the European Development Banks for technical assistance in the field of housing and the opening up of the **Structural Funds** for housing.

## **Reconstruction of housing estates and increasing property value**

Refurbishing of high-rise buildings should be addressed within an **urban regeneration** context considering economic and social issues. Homeowners and their representations should be involved as key stakeholders in planning and decision-making.

**Land ownership** issues should be clarified, particularly regarding the future of the land between the buildings, which is often owned by the municipality.

Refurbishment projects should always also consider the restructuring of the **surrounding areas**. Only if the whole area will increase in value, commercial banks will become interested in financing urban regeneration projects.

## **CALL FOR FOLLOW-UP ACTIONS**

1. The Task Force of the Bulgarian government will establish a **timeline and structure** for national consultations on the Condominium Law and other legislation related to housing.
2. The Matra project on sustainable housing management in Bulgaria will facilitate the national and international **consultation process** on the draft Condominium Law. The Eastern Europe Working Group of CECODHAS will also support this activity.
3. The Government will propose a plan on the exchange of **experiences on pilot projects** in housing in Bulgaria.

## **Contacts**

### **Bulgarian Housing Association BHA**

Ms. Eleonora Gaydarova

Mr George Georgiev

4 Yordan Milanov str.,

1164 Sofia, Bulgaria

Tel. +359 (0) 29631306 / fax +359 (0) 29758099

[bha@mail.orbitel.bg](mailto:bha@mail.orbitel.bg)

### **Stichting Housing +**

Chris van der Schoot

Postbus 7040

3430 JA Nieuwegein

The Netherlands

tel.030 6000 713 fax. 030 6090 569

[info@housingplus.nl](mailto:info@housingplus.nl)